



Information for Non-Profit Organizations

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This bulletin is to provide non-profit employers with facts regarding the Florida Unemployment Compensation Law.

Most non-profit organizations exempt under Section 3306(C)(8) of the Internal Revenue Code regarding the Federal Unemployment Tax Act, who employed four or more workers for twenty or more weeks in a calendar year, are required to cover their employees under the Florida Unemployment Compensation Law. The law does not cover service performed:

1. In the employ of (a) church or convention or association of churches or (b) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.
2. By a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order.
3. In a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury or providing remunerative work for individuals who, because of their impaired physical or mental capacity, cannot be readily absorbed in the competitive labor market, by an individual receiving such rehabilitation or remunerative work.
4. As part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any federal agency or an agency of a state or political subdivision thereof, by an individual receiving such work relief or work training. **This subparagraph does not apply to unemployment work-relief or work-training programs for which unemployment compensation coverage is required under a federal law, rule, or regulation.**

PAYMENT BY TAX RATE METHOD:

The beginning tax rate by law is 2.7%. This continues until the employer's record has been chargeable with benefits for usually eight calendar quarters, or usually ten quarters of liability. The 2.7% tax will be computed on all employees' wages up to \$7,000 for the calendar year.

For employers electing the tax rate method of payment, a tax rate will be computed at the end of the experience rating period based on a comparison of benefits paid former employees and taxable payroll reported timely. Certain adjustment factors, primarily based on the economic condition of the state, are added to this quotient.

As a non-profit employer using the tax rate method, you may change to the reimbursement method at a later date by filing a written application by December 1, prior to the calendar year that you wish to begin using the reimbursement method. Such election must be a minimum of two calendar years.

PAYMENT BY REIMBURSEMENT METHOD:

As a non-profit employer, you may elect to reimburse the Florida Unemployment Compensation Fund for the benefits that are paid your former employees on a dollar for dollar basis. You must file a formal election document (the proper legal form will be supplied upon request); otherwise, the tax rate method will be used.

The election must be for a minimum of two years. For a new employer, the election must be filed within thirty days after notification of liability by the Department. Once the reimbursement period has been fulfilled, an employer using this method may change to the tax rate method by filing a written request to do so. This must be done by December 1, of the year preceding the year for which the change is to be effective.

SHARING OF BENEFIT COSTS UNDER THE REIMBURSEMENT METHOD:

The law permits two or more non-profit employers a further option of electing the reimbursement method as a group, thereby sharing the cost of benefits paid to their former employees. The two or more employers involved must appoint an agent for the group and the election must extend over two calendar years. Benefits charged to the group will be paid by each member in proportion to the wages paid by that member. Thus, a member without charges could be required to pay for the charges of another member of the group.

Conversely, a member could have other members pay a portion of his charges. The group's agent would submit all reports and payments for the entire group and act as their spokesman.

REIMBURSEMENT VERSUS TAX RATE METHOD:

In deciding whether you should elect the reimbursement method instead of using the tax rate method, several factors must be considered. Using the tax rate method, you can estimate with reasonable accuracy the cost to your budget (initially a maximum of \$189 per employee per year). There is a possibility of earning a lower tax rate in the future if you have a stable employment record.

Under the reimbursement method you have no such basis for cost estimating. Your cost will be based solely on benefits paid to your former employees (or under the group method for a percentage of the benefits paid to former employees of any member of the group). Further, the cost of any sudden or unexpected layoffs must be borne immediately as you will be billed quarterly for reimbursement of benefits paid. Damage to your place of business by fire, hurricanes, or other similar unexpected disasters could result in your employees becoming unemployed and eligible for unemployment compensation benefits. This unanticipated expense would then become payable when you could least afford it.

A person who quits, refuses suitable employment, or is discharged for misconduct and is disqualified may later have his benefits restored by removal of disqualification. In such a situation the employer who elected to pay under the tax rate method may or may not have its account charged for benefits paid depending on varying factors. Whereas, an employer who elects the reimbursement method would be required to pay the fund for all benefits paid. The law does not provide noncharging of benefits for reimbursable employers.

By paying the tax, you are assured that your tax rate will not vary for the first two years regardless of the number of claims filed by your former employees. The 2.7% initial rate will be in force during this period. At the end of this time, your tax rate method may vary upward or downward according to your record. The tax rate is based on a comparison of benefits paid former employees and taxable payroll reported timely. The higher amount of benefits paid compared to your taxable payroll, the higher the tax rate; and conversely, the smaller amount of benefits paid, the better opportunity for a lower tax rate.

NOTIFICATION OF CHARGES AND PAYMENT:

Employers whose accounts may be charged with benefit payments will be notified when a claim is filed. Approximately five weeks after the end of a quarter, a statement of all charges for that quarter will be sent to the employer. Only the reimbursable employer is required to forward payment for the amount of charges shown on the statement. The tax rate employer's charges will be reflected in his future tax rate. Upon receipt of Benefit Statements containing items with which you do not agree, you should notify the Agency for Workforce Innovation immediately.

Whether you use the tax rate method or elect to use the reimbursement method, no part of the payments made for unemployment compensation tax is to be deducted, in whole or in part, from the remuneration of individuals in your employ. This is an employer excise tax.

For more detailed information, see Florida Statute 443 and Florida Administrative Code 60BB-2.